

# Business and Financial Forecast for 1964

**Editor's Note:** Continuing an annual practice of this newspaper at this time of the year, The Herald again presents the Business and Financial Forecast for 1964 issued by Roger Babson, veteran noted analyst in this field. Mr. Babson's forecasts down through the years have been remarkably accurate and The Herald is pleased to offer this detailed analysis of his views for 1964.

By ROGER W. BABSON

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I am still emotionally upset as I make this forecast after the brutal assassination of President Kennedy. I, however, will try to submerge my emotions and base this forecast of 1964 on the facts as I interpret them.

## OUR NEW PRESIDENT

I state emphatically that President Johnson may accomplish far more constructively before November 1964 than our late President would have been able to do. President Johnson understands better how to handle Congress, and has the confidence of businessmen. Therefore, I am reassured as to the first ten months of 1964.

## ELECTION IN NOVEMBER

At the Republican Convention in the summer of 1964, there will be a conflict between Goldwater and Rockefeller, and perhaps others. For this reason, Mr. Nixon may slip in and get the Republican nomination. Certainly President Johnson will secure the nomination of the Democratic Party; he is a farsighted man,

and knows politics. Therefore, with the Republicans nominating any of the three leading names mentioned above, I now forecast that President Johnson will be elected President of the United States in November 1964. All of this gives me more assurance that 1964 should be a good year.

## TAX CUT

A tax cut will be enacted sometime during the coming session of Congress; and it will surely be made retroactive to January 1, 1964. The tax cut should help consumer buying; it may even increase general business.

## CIVIL RIGHTS

Some sort of a civil-rights bill will be passed by Congress during 1964. The Administration wants to please the South

and hold its Democratic votes, but the civil-rights bill now before Congress is not satisfactory to the white people of the North. Therefore, I forecast that whatever civil-rights bill is passed before the election of 1964 will be considerably watered down.

## NEGRO PEOPLE

The Negroes will continue to make progress and get more, but I predict that the gains will have to come largely through changing attitudes of the people. Otherwise, the situation will be much like the prohibition problem which the good people of the nation thought could be solved by legislation. Such reforms take place only as the minds and hearts of the people are changed for the better.

## GOVERNMENT SPENDING

Of course, in the long run, the survival of a nation should depend upon its spending less than it takes in. Nowadays, however, it is unfashionable—for consumers or government—to have balanced budgets. Therefore, I predict that 1964 will see a bigger deficit than this year's.

## DEPRESSION

Whether for better or for worse, the voters have been taught to believe they can and should get something for nothing, and only a severe depression could ultimately change this belief. I, however, look for no depression in 1964.

## AGRICULTURAL OUTLOOK

Although crops, prices, and farm income may be basically dependent on the weather, much of the world is short of food. Russia's and China's heavy purchases of grains will do more to bolster U. S. farm income than will government-supported prices in 1964.

## DOW-JONES INDUSTRIALS

I forecast that the stock market as measured by the Dow-Jones Average will make a new high in 1964, but may sell lower after the elections. However, readers must remember that the Dow-Jones Industrial list, which everyone seems to think represents the market, may be very deceptive.

## SPECULATIVE STOCKS

Of the approximately 1,550 stocks listed in the New York Stock Exchange, a majority have been going down while the Dow-Jones list of 30 which everyone watches have been going up. This is due to the purchase of Dow-Jones issues today largely by trustees, pension funds, mutual companies, and others that prefer fairly conservative and dividend-paying companies. I forecast that stocks not in the Dow-Jones list will do better proportionately in 1964 than they did this year.

## SWITCHING

Based on my above forecast, and having learned that only buying can send stocks up, I predict that 1964 may prove to be a good year to switch from the overcrowded Dow-Jones stocks into other issues that are now overlooked.

## GOVERNMENT BONDS

Those buying corporate bonds should either stick to issue of under five years' maturity or keep their money in the savings bank. I predict that long-term corporation bonds will drop in price in 1964 as interest rates rise.

## TAX-EXEMPT BONDS

Likewise, I predict that long-term tax-exempt bonds will decline next year. They are even more overpriced than corporations bonds, because of heavy bank buying during the past two years. I do not look for this to be repeated in 1964. Therefore, I would certainly confine buying of tax-exempts to short maturities; and I would avoid revenue bonds.

## INTEREST RATES

I forecast that interest rates will continue at least as high as today, and will probably rise through 1964 in order to keep gold here in this country and uphold the value of the dollar.

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## DEVALUATION OF GOLD

I forecast that there will be no devaluation of gold during 1964. I am personally acquainted with conditions in Africa, and will say that those who wish to speculate in gold mines should consider American-South African Investment Co. Ltd. Readers should remember, however, that gold-mining stocks will go down as well as up, in accordance with many different conditions.

## PROFITS

I forecast that corporate profits will continue to rise in 1964, though possibly at a somewhat slower pace than recently.

## COPPER PRICES

Commodity prices are dependent on two factors: Demand and supply. Take copper: I believe the demand will continue to increase during the electrical era we are now in. And, since my visit to Africa, I feel the supply of copper is almost unlimited. Hence, I forecast little change in price on balance in 1964.

## OTHER BASIC RAW MATERIALS

With some few exceptions, the above applies to many of the basic raw materials, including iron and steel, and especially aluminum. The present firming in quotations will not carry much further and could be subject to setbacks later in the year.

## SUGAR

Sugar prices, however, will hold a generally high range all through 1964.

## BUILDING — SUBURBIA

I forecast that new building will continue around present levels through 1964, with additional growth in "suburbia." This applies to single homes and to apartment houses, which could easily be overbuilt as hotels and motels have been.

## PUBLIC CONSTRUCTION

Otherwise, strength in building will occur mainly in the public sector—especially road-building.

## REAL ESTATE

I predict that farms on the "right side" of cities will constantly increase in value during 1964. I say "right side" because every city seems to have some best direction in which to grow. This usually is toward the higher land and often to the west; but this is something subdivision developers must watch very closely.

## RURAL AREAS

As I have said before, the way to buy real estate profitably is to drive out the main road away from the city in which you live, on the "right" side. Every few miles, stop and inquire the price of land; so long as it is quoted by the foot, get back in your car and drive until it is quoted by the acre. Everything else being equal, I forecast that the purchase of this land in 1964 will show you a profit over the long term.

## FLORIDA PROPERTY

There is still a lot of land in Florida, and there are many retired people who are hoping to move there. I forecast that your best Florida buy in 1964 will be waterfront property. God made only so much waterfront land; but there is an enormous amount of interior land which for many years will be good only for pasturage. Do not buy land—anywhere—until you see it; don't depend on blueprints, catalogs, and super sales organizations.

## FLORIDA HOME

I believe a small home in a small Florida city, and ownership of the vacant lot on each side thereof, will prove a safe and attractive investment in 1964 for anyone who has a check coming in regularly from the North.

## ADVERTISING

While TV advertising will continue strong for patent medicines and some other products, I forecast that honest newspaper advertising will hold its own. Newspaper ads can be cut out and kept for reference, which is impossible with radio or TV ads.

## NEWSPAPERS

I forecast that competing newspapers will continue to consolidate; and there may possibly be a return of the days when newspapers represented the opinions of some man with courage, influence, and personality rather than the decisions of a "cold" board of directors. Note that this is something television is already trying to develop in its news reports, and newspapers must match it.

## STRIKES

I believe that 1964 will be free from large strikes. The "big show," of course, will be the negotiations between the auto workers and manufacturers. However, I predict that both sides will arrive at a peaceful settlement before the deadline.

## WAGES

While labor will not get all the pay increases it wants in 1964, it will get the equivalent in "fringe benefits."

## EMPLOYMENT

I forecast employment will rise further in 1964, due to a prosperous economy with new and expanding operations. Unemployment will rise, too, because of the influx of young job seekers and displacement of unskilled workers by automation.

## WORK WEEK

There will be continuing agitation to cut the 40-hour week in 1964 to a 35-hour week with the same pay. I forecast this will not be accomplished. There may be a compromise to 37½ hours, though this will depend largely upon President Johnson.

## FOREIGN TRADE

Rising automation in the U.S. in 1964 will enable us to compete more effectively with lower per-manhour labor costs in Europe. Labor costs in Italy are already rising, and inflation is threatening Europe... particularly Italy and France.

## INFLATION

Like the rest of the world, we will be tempted to resort more and more to inflation; but I forecast this will not be a vital factor in 1964.

## LIVING COSTS

There will be continued upward pressure on living costs during 1964, even though the Administration may soft-pedal any abnormal rise in the Labor Department's index to prove that costs are being held down.

## RETAIL SALES

I forecast that 1964 will show an increase in retail sales and in installment purchases.

## RECREATIONAL EQUIPMENT

I forecast that the great increase in leisure time and the consistent gains in personal income will give manufacturers of recreational equipment a prosperous year in 1964.

## SYNTHETIC FOODS

I forecast that many new synthetic foods—cheaper than the natural, and just as healthful—will appear in supermarkets in 1964.

## SYNTHETIC CLOTHING

I forecast that this new industry will develop notably in the United States during 1964, particularly as regards specialty work clothes.

## AUTO PARKING

The auto companies are devoting much study to the parking problem. I forecast real progress toward mechanical parking in 1964.

## SEAT BELTS

I predict that insurance companies will put added pressure during 1964 on all state governments to enact legislation requiring "roll-up" seat belts on all cars.

## NEW INVENTIONS

I forecast that rapid strides will be made in 1964 in the direction of transferring mass through matter.

## ELECTRONIC PRODUCTION

I forecast a great increase in electronic manufacturing in 1964... with emphasis on adaptation of space efforts to military applications.

## AIR CONDITIONING

I predict radical changes in air conditioning in 1964 via the reduction, and later elimination, of moving parts in the heat-withdrawal machinery.

## ELECTRIC HEATING

I forecast experiments in electric heating in 1964 whereby radio waves will heat only the individuals in the room, but not the air.

## OCEANOGRAPHY

I forecast great developments in 1964 in mineral recovery, food supplements, new chemical derivatives, etc., obtained through oceanographic research.

## CUBA

People in Florida have no reason to worry about their nearness to Cuba in 1964. Russia will undoubtedly keep a controlling finger on Cuba until she decides to withdraw in a swap of some kind with the U.S. in connection with Berlin or West Germany.

## WAR

There will be no World War in 1964, and even the "cold war" pressures should gradually soften and prove less costly. I, however, am watching carefully how President Johnson and Premier Khrushchev get on together.

## RUSSIA

I predict that the Russian government will vastly increase the manufacture of electrical appliances, and will have a 100 per cent-owned installment company which it would operate without competition. When I was in Russia it was evident from my talk with the young people that they would have to be given more of the advantages enjoyed by the free nations.

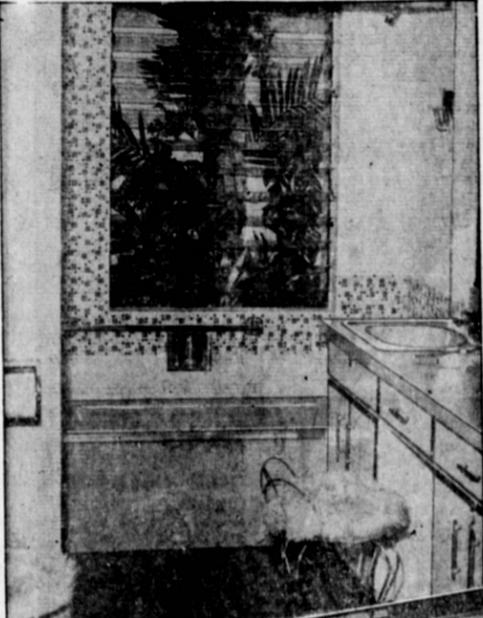
In this connection I should say that, like the U. S., Russia is very rich in natural resources... and in research. This latter is especially important these days. I was much impressed, during my visit, with the Russian educational system which is developing a very able generation of young people. I forecast, however, that Mr. Khrushchev's real problem will be how long he will be able to hold these young people in line!

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